

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Calhoun County 100% DTR Fund		County Calhoun County	
Fiscal Year End December 31, 2006		Opinion Date April 9, 2007		Date Audit Report Submitted to State June 6, 2007			

We affirm that:

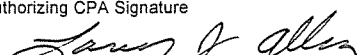
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. ☒ ☐ The local unit has adopted a budget for all required funds.
 5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. ☒ ☐ The local unit is free of repeated comments from previous years.
 12. ☒ ☐ The audit opinion is UNQUALIFIED.
 13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>		
Other (Describe)		<input checked="" type="checkbox"/>	Report on Internal Control	
Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple PC			Telephone Number (810) 984-3829	
Street Address 1979 Holland Avenue			City Port Huron	State MI
			Zip 48060	
Authorizing CPA Signature 		Printed Name Larry J. Allen		License Number 1101008117

COUNTY OF CALHOUN, MICHIGAN

100% DELINQUENT TAX REVOLVING FUND

**ANNUAL FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2006**

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



COUNTY OF CALHOUN, MICHIGAN
100% DELINQUENT TAX REVOLVING FUND

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DECEMBER 31, 2006

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INDEPENDENT AUDITOR'S REPORT

County Treasurer
County of Calhoun, Michigan
Marshall, Michigan

We have audited the accompanying financial statements of the 100% Delinquent Tax Revolving Fund of the County of Calhoun, Michigan, as of December 31, 2006, and for the year then ended, as listed in the Table of Contents. These financial statements are the responsibility of the County Treasurer. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the 100% Delinquent Tax Revolving Fund and are not intended to present fairly the financial position of the County of Calhoun, Michigan, and the results of its operations and cash flows of its proprietary and similar trust fund types, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the 100% Delinquent Tax Revolving Fund of the County of Calhoun, Michigan, as of December 31, 2006, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 9, 2007, on our consideration of the 100% Delinquent Tax Revolving Fund of the County of Calhoun, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting over compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Our audit of the financial statements was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed financial statements listed as supplementary financial information in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the 100% Delinquent Tax Revolving Fund of the County of Calhoun, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is stated fairly in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

April 9, 2007

COUNTY OF CALHOUN, MICHIGAN

**100% DELINQUENT TAX REVOLVING FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

Current Assets:

Cash and cash equivalents	\$ 6,399,477
Investments	4,605,404
Due from Land Bank Authority	96,914
Due from other funds	275,400
Receivables -	
Accrued interest and fees	1,251,155
Delinquent taxes	<u>5,367,819</u>
Total Current Assets	17,996,169

Capital Assets:

Furniture and equipment (net of accumulated depreciation)	26,875
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Other Assets:

Advance to other funds	<u>314,600</u>
Total Assets	<u><u>\$ 18,337,644</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accrued liabilities	\$ 46,808
Due to other governmental units	115,491
Tax note payable	<u>350,000</u>
Total Liabilities	<u>512,299</u>

Net Assets:

Restricted	10,650,662
Unrestricted	<u>7,174,683</u>
Total Net Assets	<u>17,825,345</u>
Total Liabilities and Net Assets	<u><u>\$ 18,337,644</u></u>

See Notes to
Financial Statements

COUNTY OF CALHOUN, MICHIGAN

**100% DELINQUENT TAX REVOLVING FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Operating Revenues:

Interest on taxes	\$ 1,133,711
Administrative fees and penalties	<u>1,009,863</u>
Total Operating Revenues	<u>2,143,764</u>

Operating Expenses:

Administrative Expenses	<u>233,366</u>
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Operating Income	<u>1,910,398</u>
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Non-Operating Revenues (Expenses):

Interest earned on investments	538,304
Interest expense	<u>(45,909)</u>
	<u>492,395</u>

Income before transfers	2,402,793
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Transfers:

Transfer to County General Fund	<u>(1,500,000)</u>
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Change in Net Assets	902,793
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Net Assets at beginning of year	<u>16,922,552</u>
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Net Assets at end of year	<u><u>\$ 17,825,345</u></u>
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See Notes to
Financial Statements

COUNTY OF CALHOUN, MICHIGAN
100% DELINQUENT TAX REVOLVING FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Flows From Operating Activities:	
Cash received from customers and governmental units	\$ 1,689,246
Cash payments to suppliers and governmental units	(588,947)
Net cash provided by operating activities	<u>1,100,299</u>
Cash Flows From Non-Capital Financing Activities:	
Payment received on advance to other funds	(252,931)
Transfers in (out) -	
General Fund	(1,500,000)
Other DTR Funds	
Tax note proceeds	3,000,000
Redemption of tax notes	(3,150,000)
Net Cash Used by Non-Capital Financing Activities	<u>(1,902,931)</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of furniture and equipment	(6,103)
Cash Flows From Investing Activities:	
Redemptions (purchases) of investments	(1,864,047)
Interest earned on investments	492,395
Net Cash Used by Investing Activities	<u>(1,371,652)</u>
Net Decrease in Cash and Cash Equivalents for the year	(2,180,387)
Cash and Cash Equivalents at beginning of year	<u>8,579,864</u>
Cash and Cash Equivalents at end of year	<u><u>\$ 6,399,477</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income for the year	\$ 1,910,398
Adjustments to reconcile operating income	
to net cash provided by operating activities -	
Depreciation	10,913
Changes in assets and liabilities -	
(Increase) Decrease in -	
Delinquent taxes receivable	(326,014)
Accrued interest receivable	(128,504)
Due from other funds	(275,400)
Increase (Decrease) in -	
Accrued liabilities	11,634
Due from Land Bank Authority	(96,914)
Due to other governmental units	(4,126)
May tax sale	(1,688)
Net Cash Provided by Operating Activities	<u><u>\$ 1,100,299</u></u>
Supplemental Information:	
Cash paid during the year for interest	<u><u>\$ (45,909)</u></u>

See Notes to
Financial Statements

COUNTY OF CALHOUN, MICHIGAN
100% DELINQUENT TAX REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF THE 100% DELINQUENT TAX REVOLVING FUND OPERATIONS:

The 100% Delinquent Tax Revolving Fund is an Enterprise Fund of the County of Calhoun, Michigan, and is used to account for the operations related to the borrowing of money to pay other local units of government (taxing units) and various County funds for their delinquent real property taxes.

The accompanying financial statements are the exclusive presentation of the financial position and results of operations and cash flows of the 100% Delinquent Tax Revolving Fund and do not include or reflect the financial position or results of operations and changes in cash flows of the other funds of the County of Calhoun. Therefore, the 100% Delinquent Tax Revolving Fund is not intended to present fairly the financial position and results of operations of the County of Calhoun, in conformity with accounting principles generally accepted in the United States of America. The 100% Delinquent Tax Revolving Fund, although legally reported as one fund, is the combined total of four specific operational segments described as follows:

Delinquent Tax Series -

By agreement with the various local units of government (taxing authorities) in the County of Calhoun, Michigan, the County purchases at face value the real property taxes returned delinquent each March 1. The County issues general obligation limited tax notes to partially finance the purchase of the delinquent taxes and pays the notes through subsequent collection on delinquent taxes receivable, plus interest and administrative fees thereon, and investment earnings.

The activity for each tax levy year is accounted for separately in the tax series year in which the property taxes become delinquent and the general obligation limited tax notes are issued.

Limited Tax Note Reserve -

A separate account has been established pursuant to resolution by the Board of Commissioners of Calhoun County, which states in part that the County Treasurer may set aside an amount not to exceed \$1,000,000 as a debt service reserve to be available for the payment of current debt service requirements on an outstanding note, for which collection of money primarily pledged is insufficient. At December 31, 2006, there is a \$1,000,000 debt service reserve in a separate account.

Bond Administration -

The Bond Administration of the various Delinquent Tax Series represents the administrative expenses of the operations of the 100% Delinquent Tax Revolving Fund as regulated by Michigan Compiled Laws. The administrative expenses are accrued annually for each tax series, based on a legal formula, however, the amount is not actually transferred to the administration account until the appropriate tax series general obligation limited tax note issue is paid in full.

The amount accrued for administrative expenses is then transferred to and maintained in a separate cash account from the various Delinquent Tax Series bank accounts. From this cash account, administrative expenses are made and thus recorded in the bond administration account. The administrative account also maintains the dollars derived from foreclosure sales.

COUNTY OF CALHOUN, MICHIGAN
100% DELINQUENT TAX REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF THE 100% DELINQUENT TAX FUND OPERATIONS - (cont'd):

Delinquent Tax Foreclosure -

Under Public Act 123, property owners that let their property taxes go three years delinquent have their property foreclosed upon. The property foreclosure activity is recorded herein, which includes the related foreclosure fees. The foreclosed property is transferred to the Calhoun County Land Bank Authority in exchange for the redemption amount. The maintaining and sales activity is reported by the Authority.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the County of Calhoun pertaining to the 100% Delinquent Tax Revolving Fund conform to accounting principles generally accepted in the United States of America. The following is a summary of the more significant accounting policies:

BASIS OF ACCOUNTING - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The 100% Delinquent Tax Revolving Fund, operated as an Enterprise Fund, uses the accrual method of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

MEASUREMENT FOCUS - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Calhoun County 100% Delinquent Tax Revolving Fund is accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the Balance Sheet. The operating statement presents increases (e.g. revenues) and decreases (e.g., expenses) in net total assets.

CASH EQUIVALENTS - Cash equivalents are temporary investments, which consist of government investment trust funds and certificates of deposit with maturity dates less than 90 days and are recorded at cost, which approximates fair value. The government investment trust funds have the general characteristics of demand deposit accounts in that the County Treasurer may deposit and withdraw additional cash at any time without prior notice or penalty. Cash equivalents are recorded at cost, which approximates fair value.

INVESTMENTS - Investments consist of certificates of deposit and commercial paper with maturities in excess of ninety days from the date of purchase. The investments are recorded at cost, which approximates fair value.

DUE FROM OTHER GOVERNMENTAL UNITS - Due from other governmental units is an asset account reflecting amounts due to the 100% Delinquent Tax Revolving Fund from another governmental unit. The amounts represent receivables from local governmental units for chargebacks resulting from delinquent taxes that were unable to be collected.

COUNTY OF CALHOUN, MICHIGAN

**100% DELINQUENT TAX REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

DUE TO OTHER GOVERNMENTAL UNITS - Due To Other Governmental Units is a liability account reflecting amounts due from the 100% Delinquent Tax Revolving Fund to another governmental unit. The amounts represent payables to the State of Michigan for State tax sale redemptions and delinquent property taxes turned over to the 100% Delinquent Tax Revolving Fund (Series 2007) by the Villages in the County prior to December 31, 2006, but will not be paid until the Series 2007 G.O. Limited Tax Note sale.

CAPITAL ASSETS - Capital assets are recorded at cost. Expenses that materially extend the life of existing assets are capitalized.

Depreciation of all capital assets is charged as an expense against operations. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are:

Equipment	5 to 7 years
Office furniture	10 years

ESTIMATES - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMPARATIVE AMOUNTS - Comparative amounts have not been presented on the financial statements for 2006. The financial statements of the 100% Delinquent Tax Revolving Fund as of December 31, 2005, were audited, and the Independent Auditor's Report, dated February 23, 2006, expressed an unqualified opinion on those statements.

COUNTY OF CALHOUN, MICHIGAN

**100% DELINQUENT TAX REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of December 31, 2006, the carrying amount of the deposits and investments is as follows:

Deposits	
Cash on Hand – Imprest	\$ 100
Deposits with Financial Institutions –	
Cash	59,241
Certificates of Deposit	<u>9,301,213</u>
Total Deposits	<u>9,360,554</u>
Investments	
Investment Trust Funds	<u>1,644,327</u>
Total Investments	<u>1,644,327</u>
	<u>\$ 11,004,881</u>
Reconciliation to Balance Sheet	
Reported as Cash and Cash Equivalents	
Imprest	\$ 100
Cash	59,241
Certificates of Deposit	4,695,809
Investment Trust Funds	<u>1,644,327</u>
Total Cash and Cash Equivalents	<u>6,399,477</u>
Reported as Investments	
Certificates of Deposit	<u>4,605,404</u>
Total Investments	<u>4,605,404</u>
	<u>\$ 11,004,881</u>

Deposits and Investments

The County's investment policy and Act 20 PA 1943, as amended, authorizes the County to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

COUNTY OF CALHOUN, MICHIGAN
100% DELINQUENT TAX REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Act 20 PA 1943 as amended authorizes the County to invest surplus funds in bonds, securities and other obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

The County's investment policy primary objectives, in order of priority, are safety, diversification, liquidity and return on investment. The County Treasurer is responsible for the investment program.

Custodial Credit Risk – is the risk that in the event of a bank failure, the County's deposit or investments may not be returned.

As of December 31, 2005, the bank balance of the County's DTR Fund's deposits was \$10,871,172, of which \$556,632 was FDIC insured with the balance of \$10,314,540 was exposed to credit risk as it was uninsured and uncollateralized.

Interest Rate Risk – is the risk that in the event that the market value of securities in the County portfolio will fall due to changes in the market interest increases. The County attempts to minimize interest rate risk by maintaining liquidity to meet all operating requirements without the need to sell securities prior to maturity and investing operating funds primarily in short term securities and money markets funds.

Credit Risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State laws and County policy limit the types of investments the County can purchase.

As of December 31, 2006, all of the County's holdings in investment trust funds of \$1,644,328 were rated AAAM by Standard and Poor's and Aaa by Moody's.

COUNTY OF CALHOUN, MICHIGAN

**100% DELINQUENT TAX REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Concentration of Credit Risk – is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The County's investment policy requires diversification by security type but does not place a fixed percentage limit for any one issuer. As at December 31, 2006, the County had 100% of its total investment portfolio concentrated with LaSalle Bank in Investment Trust Funds.

The investment trust funds have been reported in the financial statements as a cash equivalent because they have the general characteristics of demand deposit accounts in that the County may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

NOTE 4 - DELINQUENT TAXES RECEIVABLE:

The Delinquent Taxes Receivable at December 31, 2006, represents the balance owed by individual taxpayers for delinquent real property taxes. These delinquent taxes receivable for Series 2006 are pledged to a bank for the payment of the notes payable described in Note 7 of Notes to Financial Statements. Subsequent collections on the delinquent taxes receivable, plus interest and administrative fees thereon, and investment earnings are used to service the notes payable. At the end of three years, any real property taxes not collected may be charged back to the County and all other taxing authorities affected. The following are the balances of the Delinquent Taxes Receivable per Delinquent Tax Series and year of tax levy:

Series 1999 (Levy 1998)	\$ 5,028
Series 2000 (Levy 1999)	3,736
Series 2001 (Levy 2000)	10,644
Series 2002 (Levy 2001)	90,501
Series 2003 (Levy 2002)	138,262
Series 2004 (Levy 2003)	222,537
Series 2005 (Levy 2004)	821,475
Series 2006 (Levy 2005)	3,997,140
Series 2007 (Levy 2006)	<u>78,496</u>
	<u>\$ 5,367,819</u>

COUNTY OF CALHOUN, MICHIGAN

100% DELINQUENT TAX REVOLVING FUND NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 5 - CAPITAL ASSETS:

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Furniture	\$ 33,104	\$ -	\$ -	\$ 33,104
Equipment	<u>75,287</u>	<u>6,103</u>	<u>-</u>	<u>81,390</u>
	108,391	6,103	-	114,494
Less – accumulated depreciation	<u>76,706</u>	<u>10,913</u>	<u>-</u>	<u>87,619</u>
Net Book Value	<u>\$ 31,685</u>	<u>\$(4,810)</u>	<u>\$ -</u>	<u>\$ 26,875</u>

The depreciation expense for 2006 is \$10,913.

NOTE 6 - ADMINISTRATIVE AND AGENT FEES:

Pursuant to a County Board Resolution, each delinquent tax series may be charged an administrative and agent fee. The amount is specified in Michigan Public Act 211.87c and is currently 3/64 of the interest collected each month payable as follows: 20% to the County Treasurer as Agent for the County, and 80% to the County Treasurer's office to cover administrative expenses. However, the Treasurer's agent fees shall not exceed 20% of the County Treasurer's annual salary, and any excess over this limitation shall be included as part of the Treasurer's Office Administration fee determination. The sum of the amount in excess of the limitation referred to above and the 80% allocated to the County Treasurer's for administrative expenses shall not exceed 5% of the total budget of the Treasurer's office for any given year. The administrative and agent fee amounts are recorded as transfers between the various tax note series accounts and the administration account. The resulting due to, due from, transfer to and from amounts are eliminated for reporting purposes so that assets, liabilities, and transfers are not inflated. The agent fee expense is recognized in each year of the calculation while the administrative fee is recognized when an expense is incurred.

NOTE 7 - LONG-TERM DEBT:

The following is a summary of the changes in long-term debt of the 100% Delinquent Tax Revolving Fund of the County of Calhoun for the year ended December 31, 2006:

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
General Obligation Limited Tax Notes -				
Series 2005	\$ 500,000	\$ -	\$ 500,000	\$ -
Series 2006	<u>-</u>	<u>3,000,000</u>	<u>2,650,000</u>	<u>350,000</u>
	<u>\$ 500,000</u>	<u>\$3,000,000</u>	<u>\$ 3,150,000</u>	<u>\$ 350,000</u>

COUNTY OF CALHOUN, MICHIGAN

**100% DELINQUENT TAX REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 7 - LONG-TERM DEBT - (cont'd):

Significant details regarding outstanding General Obligation Limited Tax Notes are presented as follows:

The County issues General Obligation Limited Tax Notes in order to finance the purchase of delinquent real property taxes from the cities, villages and townships in the County and from various County funds. The Series 2005 General Obligation Limited Tax Notes dated May 18, 2006 were issued for \$3,000,000. The balance on the notes of \$350,000 is made up as follows:

	<u>Principle</u>	<u>Interest</u>
January 15, 2007	\$ 175,000	\$ 1,574
February 15, 2007	<u>175,000</u>	<u>812</u>
	<u>\$ 350,000</u>	<u>\$ 2,386</u>

NOTE 8 – RESTRICTED NET ASSETS:

All Delinquent Tax Series that have tax notes with outstanding balances by Bond Resolution must reserve all the Net Asset Balance until such tax notes are paid in full. Also, by Bond Resolution a Bond Administration Fund has been established to restrict funds for Treasurer's Office Bond Administration and for funds restricted as a result of foreclosure sales.

In addition, the County has elected to restrict \$1,000,000 as described in Note 1 to the Notes to Financial Statements and to transfer excess funds during 2006 in the amount of \$7,017,863 from various Series which no longer have tax notes payable and the Limited Tax note reserve to the 2006 series, thus requiring these amounts to be reserved. The following is a summary of the Restricted Net Asset amounts at December 31, 2006:

Restricted for Debt Service -	
Delinquent Tax Series 2006	\$ 8,117,462
Limited Tax Note Reserve	<u>1,000,000</u>
	9,117,462
Restricted For Treasurer's Office Bond Administration	911,704
Restricted from foreclosures	<u>621,496</u>
	<u>\$ 10,650,662</u>

NOTE 9 - ADVANCE TO OTHER FUNDS:

The County Treasurer entered into a loan agreement with the County on March 14, 2006. The agreement provides the County Treasurer to loan \$314,600 in surplus 100% Delinquent Tax Revolving Fund money to the County General Fund. An advance to other funds is reported on the Balance Sheet of the 100% Delinquent Tax Revolving Fund to reflect the loan transaction. The agreement calls for the loan to be repaid from the General Fund in equal annual installments of \$37,697, commencing on January 2, 2008, through January 2, 2016, including interest at five percent of the outstanding principal balance per annum. The loan may be repaid prior to June 2, 2016, without penalty. A previous advance agreement for \$500,000 was paid in 2006, with a final payment of \$61,668.

COUNTY OF CALHOUN, MICHIGAN
100% DELINQUENT TAX REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 10 – MICHIGAN PUBLIC ACT 123 OF 1999:

Under Public Act 123, property owners that let their property taxes go three years delinquent have their property foreclosed upon.

Calhoun County under the new law is obtaining ownership of the properties. As a result, the County has the responsibility for obtaining, maintaining and selling the property.

All properties foreclosed by the County under the new law have been transferred to the Calhoun County Land Bank Authority effective during the 2006. During 2006, the County has transferred \$46,913 of foreclosed property to the Calhoun County Land Bank Authority. The Authority is to maintain and sell the property. Upon sale of the property it is the intention of the Calhoun County Land Bank Authority to transfer the cost of the properties back to the County, any funds in excess will be used to fund further operations.

SUPPLEMENTARY FINANCIAL INFORMATION

COUNTY OF CALHOUN, MICHIGAN

100% DELINQUENT TAX REVOLVING FUND DETAILED NET ASSETS DECEMBER 31, 2006

	Delinquent Tax Series 1993-2005	Delinquent Tax Series 2006	Delinquent Tax Series 2007
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,900,907	\$ 2,543,168	\$ 40,248
Investments	2,236,716	1,327,852	-
Due from Land Bank Authority	-	-	-
Due from other funds	-	-	-
Receivables -			
Accrued interest and fees	621,996	566,244	3,140
Delinquent taxes	1,292,183	3,997,140	78,496
Total Current Assets	7,051,802	8,434,404	121,884
Capital Assets:			
Furniture and equipment (net of accumulated depreciation)	-	-	-
Other Assets:			
Advance to other funds	-	-	-
Total Assets	<u>\$ 7,051,802</u>	<u>\$ 8,434,404</u>	<u>\$ 121,884</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accrued liabilities	\$ 962	\$ 249	\$ -
Due to other DTR units	(73,453)	(33,307)	51
Due to other governmental units	-	-	114,275
May tax sale and state sold bids	-	-	-
Tax notes payable	-	350,000	-
Total Liabilities	(72,491)	316,942	114,326
Net Assets:			
Restricted			
Debt service	-	8,117,462	-
Bond administration	-	-	-
Foreclosure sales	-	-	-
Unrestricted	7,124,293	-	7,558
Total Net Assets	7,124,293	8,117,462	7,558
Total Liabilities and Net Assets	<u>\$ 7,051,802</u>	<u>\$ 8,434,404</u>	<u>\$ 121,884</u>

Limited Tax Note Reserve	Bond Administration	Delinquent Tax Foreclosure	Total
\$ -	\$ 271,898	\$ 643,256	\$ 6,399,477
1,040,836	-	-	4,605,404
-	96,914	-	96,914
-	275,400	-	275,400
1,996	982	56,797	1,251,155
-	-	-	5,367,819
1,042,832	645,194	700,053	17,996,169
-	26,875	-	26,875
-	314,600	-	314,600
<u>\$ 1,042,832</u>	<u>\$ 986,669</u>	<u>\$ 700,053</u>	<u>\$ 18,337,644</u>

\$ -	\$ 31,502	\$ 14,095	\$ 46,808
-	43,463	63,246	-
-	-	1,216	115,491
-	-	-	-
-	-	-	350,000
-	74,965	78,557	512,299

1,000,000	-	-	9,117,462
-	911,704	-	911,704
-	-	621,496	621,496
42,832	-	-	7,174,683
1,042,832	911,704	621,496	17,825,345
<u>\$ 1,042,832</u>	<u>\$ 986,669</u>	<u>\$ 700,053</u>	<u>\$ 18,337,644</u>

COUNTY OF CALHOUN, MICHIGAN

100% DELINQUENT TAX REVOLVING FUND DETAILED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2006

	Delinquent Tax Series 1993-2005	Delinquent Tax Series 2006	Delinquent Tax Series 2007
Operating Revenues:			
Interest on delinquent taxes	\$ 457,836	\$ 671,649	\$ 4,226
Fees on delinquent taxes	30	389,549	3,107
Other	-	-	-
Total Operating Revenues	457,866	1,061,198	7,333
Operating Expenses:			
Administrative	-	-	-
Other	974	21,182	-
Administrative Expenses	974	21,182	-
Operating Income	456,892	1,040,016	7,333
Non-Operating Revenues (Expenses):			
Interest earned on investments	337,395	115,838	276
Interest paid on long-term debt	(2,027)	(43,882)	-
	335,368	71,956	276
Income before transfers	792,260	1,111,972	7,609
Transfers In (Out):			
General Fund	(1,500,000)	-	-
Delinquent Tax Series	(7,568,106)	7,017,863	-
Bond Administration/Tax Foreclosure	(38,219)	(12,841)	(51)
Total Transfers	(9,106,325)	7,005,022	(51)
Net Change in Net Assets	(8,314,065)	8,116,994	7,558
Net Assets at beginning of year	15,438,358	468	-
Net Assets at end of year	\$ 7,124,293	\$ 8,117,462	\$ 7,558

Limited Tax Note Reserve	Bond Administration	Delinquent Tax Foreclosure	Total
\$ -	\$ -	\$ -	\$ 1,133,711
-	-	617,177	1,009,863
-	-	190	190
-	-	617,367	2,143,764
-	38,050	167,633	205,683
-	5,527	-	27,683
-	43,577	167,633	233,366
-	(43,577)	449,734	1,910,398
53,185	13,676	17,934	538,304
-	-	-	(45,909)
53,185	13,676	17,934	492,395
53,185	(29,901)	467,668	2,402,793
-	-	-	(1,500,000)
(39,757)	590,000	-	-
-	(102,717)	153,828	-
(39,757)	487,283	153,828	(1,500,000)
13,428	457,382	621,496	902,793
1,029,404	454,322	-	16,922,552
\$ 1,042,832	\$ 911,704	\$ 621,496	\$ 17,825,345

COUNTY OF CALHOUN, MICHIGAN

100% DELINQUENT TAX REVOLVING FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2006

	Delinquent Tax Series 1993-2005	Delinquent Tax Series 2006	Delinquent Tax Series 2007
Cash Flows from Operating Activities:			
Cash received from customers and governmental units	\$ 4,598,439	\$(3,400,629)	\$(74,303)
Cash payments to suppliers and governmental units	(6,464)	(135,884)	114,275
Net cash provided (used) by operating activities	<u>4,591,975</u>	<u>(3,536,513)</u>	<u>39,972</u>
Cash Flows from Noncapital Financing Activities:			
Payment received on advance to other funds	61,669	-	-
Transfers in (out) -			
General Fund	(1,500,000)	-	-
Other DTR funds	(7,722,599)	6,971,697	-
Tax note proceeds	-	3,000,000	-
Redemption of tax notes	(500,000)	(2,650,000)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(9,660,930)</u>	<u>7,321,697</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of furniture and equipment	-	-	-
Cash Flows from Investing Activities:			
Redemption (purchase) of investments	(523,191)	(1,327,852)	-
Interest earned on investments	335,368	71,956	276
Net Cash Provided (Used) by Investing Activities	<u>(187,823)</u>	<u>(1,255,896)</u>	<u>276</u>
Net increase (decrease) in cash and cash equivalents	(5,256,778)	2,529,288	40,248
Cash and cash equivalents, beginning of year	<u>8,157,685</u>	<u>13,880</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,900,907</u></u>	<u><u>\$ 2,543,168</u></u>	<u><u>\$ 40,248</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income for the year	456,892	1,040,016	7,333
Adjustments to reconcile operating income to net cash provided (used) by operating activities -			
Depreciation	-	-	-
Changes in assets and liabilities -			
(Increase) Decrease in -			
Delinquent taxes receivable	3,648,065	(3,895,583)	(78,496)
Accrued interest receivable	492,508	(566,244)	(3,140)
Due from other funds	-	-	-
Increase (Decrease) in -			
Accrued liabilities	864	249	-
Due From Land Bank Authority	-	-	-
Due to other governmental units	(4,666)	(114,951)	114,275
May tax sale	(1,688)	-	-
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 4,591,975</u></u>	<u><u>\$(3,536,513)</u></u>	<u><u>\$ 39,972</u></u>
Supplemental Information:			
Cash paid during the year for interest	<u><u>\$(2,027)</u></u>	<u><u>\$(43,882)</u></u>	<u><u>\$ -</u></u>

Limited Tax Note Reserve	Bond Administration	Delinquent Tax Foreclosure	Total
\$(424)	\$ 5,593	\$ 560,570	\$ 1,689,246
-	(408,552)	(152,322)	(588,947)
(424)	(402,959)	408,248	1,100,299
-	(314,600)	-	(252,931)
-	-	-	(1,500,000)
(39,757)	573,585	217,074	-
-	-	-	3,000,000
-	-	-	(3,150,000)
(39,757)	258,985	217,074	(1,902,931)
-	(6,103)	-	(6,103)
(13,004)	-	-	(1,864,047)
53,185	13,676	17,934	492,395
40,181	13,676	17,934	(1,371,652)
-	(136,401)	643,256	(2,180,387)
-	408,299	-	8,579,864
\$ -	\$ 271,898	\$ 643,256	\$ 6,399,477
-	(43,577)	449,734	1,910,398
-	10,913	-	10,913
-	-	-	(326,014)
(424)	5,593	(56,797)	(128,504)
-	(275,400)	-	(275,400)
-	(3,574)	14,095	11,634
-	(96,914)	-	(96,914)
-	-	1,216	(4,126)
-	-	-	(1,688)
\$(424)	\$(402,959)	\$ 408,248	\$ 1,100,299
\$ -	\$ -	\$ -	\$(45,909)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

April 9, 2007

Ms. Ann Rosenbaum-Petredean
County Treasurer
County of Calhoun, Michigan
Marshall, Michigan

We have audited the basic financial statements of the 100% Delinquent Tax Revolving Fund, an Enterprise Fund of the County of Calhoun, Michigan, as of and for the year ended December 31, 2006, and have issued our report thereon, dated April 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 100% Delinquent Tax Revolving Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the treasurer department's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We identified the following control deficiency that would be considered a significant deficiency in internal control over reporting:

The Calhoun County Treasurer's Department prepares various financial information throughout the year and at year-end to assess operations and the financial condition of the 100% Delinquent Tax Revolving Fund, however that financial information is not required to be a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Treasurer relies on our firm to assist in reporting the annual financial statements in accordance with Generally Accepted Accounting Principles.

The Treasurer's department has individuals on staff to review and determine that the financial statements are accurate, however, has not elected to review and determine that the financial statements are a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Treasurer's Department is considered to have a significant control deficiency, since presentation errors could occur in the preparation of the annual financial statements and the Treasurer's Department Administration would not be in a position to detect the errors or omissions.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency stated above to not be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 100% Delinquent Tax Revolving Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the Treasurer's office of the County of Calhoun, Michigan, and the Michigan Department of Treasury and is not intended to be and should be used by anyone other than these specified parties.


Certified Public Accountants

April 9, 2007